



**Audit of
The Department of Employee
Relations Tuition
Reimbursement Program**

MARTIN MATSON
City Comptroller

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City of Milwaukee, Wisconsin

September 2013

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September 25, 2013

To the Honorable
The Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of The Department of Employee Relations Tuition Reimbursement Program. The objectives of the audit were to determine if the Tuition Reimbursement Program operates in compliance with existing city policy, applicable laws and regulations, to evaluate that financial transactions are processed in accordance with existing city policy, and to evaluate the adequacy of controls over tuition reimbursement procedures.

The department has defined procedures for approving applications and processing the reimbursements to the employee. The audit determined that there are opportunities for improvement in the processes and controls of expenditures. This audit makes two recommendations to strengthen internal policies and procedures in the department.

Audit findings are discussed in the Audit Conclusions and Recommendations section of this report, which is followed by the Department's response.

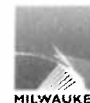
Appreciation is expressed for the cooperation extended to the auditors by the staff and management of the Department of Employee Relations.

Sincerely,

A handwritten signature in black ink that reads "Aycha Sirvanci".

Aycha Sirvanci, CPA
Audit Manager

AS:pad



I. Audit Scope and Objectives

The audit examined procedures and controls over tuition reimbursements processed by the Department of Employee Relations (DER). The audit included all tuition reimbursements processed by DER for the period January 1, 2012 through May 31, 2013. The audit included interviews of the staff that processes applications for tuition reimbursements. The audit also included a review of reimbursements approved by the staff of DER. Information was extracted from the City's accounting system, the Financial Management Information System, (FMIS), to identify the population of tuition reimbursements. Internal Audit believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

The objectives of the audit were to:

- Determine if the Tuition Reimbursement Program operates in compliance with existing city policy, applicable laws and regulations.
- Evaluate that financial transactions are processed in accordance with existing city policy.
- Evaluate the adequacy of controls over tuition reimbursement procedures.

II. Organization and Fiscal Impact

Around the year 1970, the Common Council passed a resolution creating the tuition benefit which is known as the Tuition Reimbursement Program. The City Ordinance for the tuition benefit is updated periodically. The current City Ordinance as of February 7, 2012 states:

City Ordinance 350-206. Tuition Benefits; All Employees

Unless stated otherwise in a certified collective bargaining agreement while it is in force and in effect, employees shall be eligible for tuition benefits relating to tuition and required textbooks. Tuition benefits shall be \$1,200 per calendar year. The following provisions apply:

- 1. Up to \$600 of tuition benefits per calendar year may be used for job or promotion-related certifications and license fees.*
- 2. Up to \$1,200 in tuition benefits per calendar year may be used for job-related membership dues.*
- 3. Police aides shall be eligible for a combined maximum of \$2,400 during the first 2 calendar years of employment.*
- 4. The department of employee relations shall establish guidelines for the administration of tuition benefits.*

DER has established guidelines for the administration of the Tuition Reimbursement Program. The Training and Development Section of the DER is responsible for administering the Tuition Reimbursement Program. Their responsibilities include approving applications and payments for tuition reimbursement. The Training and Development Section is staffed by two employees. The table below details the expenditures and budgeted amounts for the Tuition Reimbursement Program for the past five years.

Table 1: from Budget Detail (2008 - 2012)

<i>Year</i>	<i>Expenditures</i>	<i>Budget</i>
<i>2008</i>	<i>\$755,402</i>	<i>\$760,000</i>
<i>2009</i>	<i>\$736,861</i>	<i>\$800,000</i>
<i>2010</i>	<i>\$651,505</i>	<i>\$780,000</i>
<i>2011</i>	<i>\$709,929</i>	<i>\$750,000</i>
<i>2012</i>	<i>\$673,138*</i>	<i>\$750,000</i>

**supplied by DER*

III. Audit Conclusions and Recommendations

The Tuition Reimbursement Program is an employee benefit designed to motivate employees to improve skills and obtain certifications for work related activities. Therefore, it is important for the program to have consistent and fair policies to allow employees to be reimbursed when they become eligible for the Tuition Reimbursement Program. Another aspect for implementing the program is to have internal controls that can provide reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Control activities are the measures used to help ensure that management directives are carried out and that risks are addressed. Control activities relevant to the program include having defined policies and procedures, proper approvals verifications, and reconciliations, and conducting performance reviews of the program.

The internal control system is crucial to tuition reimbursement processing. Internal controls discourage misuse and abuse of the Tuition Reimbursement Program by city employees.

The department has defined guidelines and procedures in the program. The audit concluded that there are minimal opportunities for improvement over the processes and controls of the tuition reimbursement program. This audit makes two recommendations for improvement.

1. Establish a process for documenting the analysis, discussions and noted resolutions regarding the applications that may not be eligible for tuition reimbursement;
2. Develop a formal Policies and Procedures Manual.

Details for each recommendation are provided in the following sections.

A. Program Assessment

To begin the reimbursement process, the employee completes the tuition application for tuition reimbursement on the employee self-service online site that is part of the City's Human Resource Management System (HRMS). The employee sends the supporting documentation for the reimbursement, which must include the payment receipt and/or documentation of completion to the Program Assistant in DER. After the Program Assistant's review of the application and all supporting documentation, an application approval or denial decision is made utilizing established program parameters. For those applications that are approved, a file is created and sent to Payroll Administration of the Office of the Comptroller that initiates payment processing that will be remunerated on the next paycheck. For those applications that are denied, a denial letter is sent to the employee with a detailed explanation of the reasons for the decision to deny reimbursement.

Documentation

Currently, when a question arises as to whether or not a request for tuition reimbursement is compliant with the tuition reimbursement guidelines, the two staff members discuss the issue. If the discussion occurs by email, the emails are retained; otherwise, the discussions are not documented. Also, the decision arrived at, is only documented if the request is denied. Then, a denial letter is sent to the employee explaining the reason the request was denied.

Recommendation 1: Establish a process for documenting the analysis, discussions and noted resolutions regarding the applications that may not be eligible for tuition reimbursement.

Documenting the discussion and resolution of the eligibility of applications for tuition reimbursement would aid in making future decisions. Also, this documentation would allow analysis to be performed which could result in process or program changes which should be documented in the policies and procedures manual.

Policies and Procedures Manual

DER has developed formalized guidelines to administer the Tuition Reimbursement Program. These guidelines have been formally documented and published on the City of Milwaukee's website. DER has developed internal procedures to process applications and to initiate payments for the reimbursements. The internal procedures have not been formally documented in a standard procedures manual.

Recommendation 2: Develop a formal Policies and Procedures Manual.

The Policy and Procedure Manual should include major goals and standards governing tuition reimbursement. The manual should also include a written set of procedures covering the entire tuition reimbursement process. These procedures would clearly describe who has the responsibility for the various aspects of the processes (including supervisory and monitoring considerations), when and how the tuition reimbursement policies are to be executed, and documentation requirements. A formal Policy and Procedures Manual would establish process and approval/denial consistency in the Tuition Reimbursement Program via the utilization of standard parameters, rules, and guidelines.



Department of Employee Relations

Tom Barrett
Mayor

Maria Monteagudo
Director

Michael Brady
Employee Benefits Director

Deborah Ford
Labor Negotiator

September 23, 2013

Martin Matson, City Comptroller
Comptroller's Office
City Hall, Room 404

Aycha Sirvanci, CPA, Audit Manager
Comptroller's Office
City Hall, Room 404

Dear Mr. Matson & Ms. Sirvanci:

This communication details our response to the findings of the Audit of the Department of Employee Relations Tuition Reimbursement Program.

Recommendation #1: Documentation

Currently, when a question arises as to whether or not a request for tuition reimbursement is compliant with the tuition reimbursement guidelines, the two staff members discuss the issue. If the discussion occurs by emails, the emails are retained; otherwise, the discussions are not documented. Also, the decision arrived at is only documented if the request is denied. Then a denial letter is sent to the employee explaining the reason the request was denied.

Establish a process for documenting the analysis, discussions, and noted resolutions regarding the applications that may not be eligible for tuition reimbursement.

Documenting the discussion and resolution of the eligibility of applications for tuition reimbursement would aid in making future decisions. Also, this documentation would allow analysis to be performed which could result in process or program changes which should be documented in the policies and procedures manual.

Employee Relations Response:

With the current process, staff members follow the Tuition Reimbursement Administrative Guidelines to determine the eligibility of each tuition reimbursement request. These Guidelines are available on the Department of Employee Relations web page.

If there are issues with a particular tuition reimbursement request, staff members discuss the merits of the request and also review the historical file of denied requests and if necessary the online tuition reimbursement database for past practice. These decisions often include consultation with staff from the Labor Relations Division.



If the final decision is to deny a request, the reasons for the denial are codified in the email communications to the employee. A hardcopy of these communications with supporting documentation are included in the historical file of denied requests as well as within the tuition reimbursement database.

Our proposed addition to the current documentation process for questionable tuition reimbursement requests is to create a spreadsheet itemizing denied requests that details both the specific issue and final determination. This information will be useful for future decision making as well as for clarifications and updates to the Tuition Reimbursement Administrative Guidelines. In addition, the data gathered through this documentation process will assist in updating the proposed Policies and Procedures Manual.

Target Completion of this recommendation is September, 2013.

Recommendation #2: Policies and Procedures Manual

DER has developed formalized guidelines to administer the Tuition Reimbursement Program. These guidelines have been formally documented and published on the City of Milwaukee's website. DER has developed internal procedures to process applications and to initiate payments for the reimbursements. The internal procedures have not been formally documented in a standard procedures manual.

Develop a formal Policies and Procedures Manual

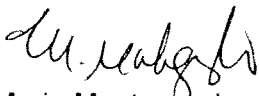
The Policy and Procedure Manual should include major goals and standards governing tuition reimbursement. The manual should also include a written set of procedures covering the entire tuition reimbursement process. These procedures would clearly describe who has the responsibility for the various aspects of the processes (including supervisory and monitoring considerations), when and how the tuition reimbursement policies are to be executed, and documentation requirements. A formal Policy and Procedures Manual would establish process and approval denial consistency in the Tuition Reimbursement Program via the utilization of the standard parameters, rules, and guidelines.

Employee Relations Response

The Department of Employee Relations staff concurs with the recommendation to create both a Policy and Procedures Manual that will detail the goals and standards of the Tuition Reimbursement Process as well as a Standard Operating Procedure for the processing of requests and reimbursement to employees. This will include roles and responsibilities, decision criteria, and software processing components.

The target completion of this recommendation is August, 2014.

Sincerely,



Maria Monteagudo
Employee Relations Director

